

Tax Refunds: Religious, Charitable and Benevolent Organizations

General

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PURPOSE OF THIS GUIDE

This guide provides information on the retail sales tax refunds available to religious, charitable and benevolent organizations on the construction or repair of real property.

REFUND ELIGIBILITY

To be eligible for a refund, a religious, charitable or benevolent organization must be registered under paragraph 110 (8) (c) of the Income Tax Act (Canada) and hold a registration number issued by the Department of National Revenue.

An eligible organization can obtain a refund of the tax on materials becoming part of real property as a result of the construction or repair of certain buildings or other structures of the organization.

An eligible organization **cannot** obtain a tax refund with respect to a building or structure that is:

- a university or community college
- a publicly funded school
- a hospital or nurses residence, or
- owned or controlled by a municipality or the local board of a municipality.

CALCULATION OF REFUND

Work Performed by Members

Where an eligible organization purchases the materials and its members perform the work, the organization can obtain a refund of the tax paid on the materials incorporated into real property.

Contract for Labour Only

Where an eligible organization purchases the materials and hires a contractor to perform the work, the organization can obtain a refund of the tax paid on the materials incorporated into real property.

Contract for Labour and Materials

Where an eligible organization contracts out the construction or repair project to a contractor who provides both labour and materials, the refund is calculated by applying a percentage to the total contract price. If not included in the contract price, the fees of the architect and engineer may be included in the amount on which the refund is calculated. On the other hand, the following costs should **not** be included and must be subtracted if they are included in the contract price:

- land or land improvement costs
- the value of performance bonds
- equipment rental charges
- charges for temporary facilities
- building permit fees
- demolition costs, and
- costs of free-standing equipment.

The refund is calculated by applying the following percentages to the total contract price after deducting the ineligible items referred to above.

Contract work completed before May 2, 1988:

- roads, multiply by 2.60%
- all other structures, multiply by 2.95%

Contract work completed after May 1, 1988:

- all structures including roads, multiply by 3.40%

An eligible organization may obtain a refund of the full amount of tax paid by an installer of stained glass windows. To assist organizations claiming a refund, installers usually indicate the exact amount of retail sales tax involved on their invoices.

REFUND TIME LIMIT

The Retail Sales Tax Act imposes a time limit for filing a refund application.

Where the materials were purchased by the organization, the refund application must be **received** by the Retail Sales Tax Branch **within three years** of the payment of the tax.

If the work was performed by a contractor who supplied both labour and materials, the refund application must be **received** by the Retail Sales Tax Branch **within three years** of the last payment on the contract.

REFUND PROCEDURES

A refund application must be made by the governing body of the organization.

Where a contract for the supply of labour and materials provides for progress payments to the contractor, the organization may submit periodic refund applications based on the progress payments.

Complete the form "General Application for Refund of Retail Sales Tax" available at any Retail Sales Tax Office.

It is important to state the charitable registration number assigned to the organization by the Department of National Revenue.

The application must be supported by a schedule listing certain information. For a claim based on a percentage of the contract price, list:

- date of contract and the contract price
- contractor's name and address
- description of construction project
- architect's and engineer's fees, if not included in the contract price
- details of calculations made to arrive at the refund amount claimed.

For other claims, schedules are required when refunds are being claimed on more than one item. Each schedule should list:

- invoice date and number
- date invoice was paid
- amount of tax claimed for refund
- name of supplier
- description and use of items claimed.

The amounts claimed on individual schedules must add up to the total amount of the claim.

Other documentation, such as invoices and cancelled cheques, should also be submitted with the claim or made available for examination. Indicate on the claim where the records may be viewed if there are too many records to enclose with the claim.

The information in this publication is only a guideline. For more specific information, please consult the Retail Sales Tax Act or contact your local Retail Sales Tax Office listed in the blue pages of your telephone directory.